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I N S E N A T E

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AN ACT to amend the racing, pari-mutuel wagering and breeding law and the penal law, in relation to allowing certain interactive poker games

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. The racing, pari-mutuel wagering and breeding law is
2 amended by adding a new article 14 to read as follows:

3 ARTICLE 14

4 INTERACTIVE GAMING

5 SECTION 1400. LEGISLATIVE FINDINGS AND PURPOSE.

6 1401. DEFINITIONS.

7 1402. AUTHORIZATION.

8 1403. REQUIRED SAFEGUARDS/MINIMUM STANDARDS.

9 1404. SCOPE OF LICENSING REVIEW.

10 1405. STATE TAX.

11 S 1400. LEGISLATIVE FINDINGS AND PURPOSE. THE LEGISLATURE HEREBY FINDS
12 AND DECLARES THAT: 1. UNDER THE NEW YORK PENAL LAW A PERSON ENGAGES IN
13 GAMBLING WHEN HE OR SHE STAKES OR RISKS SOMETHING OF VALUE UPON THE
14 OUTCOME OF A CONTEST OF CHANCE OR A FUTURE CONTINGENT EVENT NOT UNDER

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 HIS OR HER CONTROL OR INFLUENCE, UPON AN AGREEMENT OR UNDERSTANDING THAT
2 HE OR SHE WILL RECEIVE SOMETHING OF VALUE IN THE EVENT OF A CERTAIN
3 OUTCOME.

4 2. A CONTEST OF CHANCE IS DEFINED AS ANY CONTEST, GAME, GAMING SCHEME
5 OR GAMING DEVICE IN WHICH THE OUTCOME DEPENDS IN A MATERIAL DEGREE UPON
6 AN ELEMENT OF CHANCE, NOTWITHSTANDING THAT SKILL OF THE CONTESTANTS MAY
7 ALSO BE A FACTOR THEREIN. (SUBDIVISION 1 OF SECTION 225.00 OF THE PENAL
8 LAW). THUS, GAMES OF CHANCE MAY INVOLVE SOME SKILL, BUT IN THOSE GAMES
9 THE LEVEL OF SKILL DOES NOT DETERMINE THE OUTCOME REGARDLESS OF THE
10 DEGREE OF SKILL EMPLOYED. SEE PEOPLE V. TURNER, 165 MISC. 2D 222, 224,
11 629 N.Y.S.2D 661, 662 (CRIM. CT. 1995). ON THE OTHER HAND, WHERE A
12 CONTEST PITS THE SKILL LEVELS OF THE PLAYERS AGAINST EACH OTHER, NEW
13 YORK COURTS HAVE FOUND A GAME TO BE ONE OF SKILL RATHER THAN CHANCE. SEE
14 PEOPLE V. HUNT, 162 MISC. 2D 70, 72, 616 N.Y.S.2D 168, 170 (CRIM. CT.
15 1994) ("PLAYED FAIRLY, SKILL RATHER THAN CHANCE IS THE MATERIAL COMPO-
16 NENT OF THREE-CARD MONTE.");

17 3. POKER IN MANY INSTANCES HAS BEEN DEFINED AS A GAME OF SKILL AND A
18 NEW YORK FEDERAL COURT IN U.S. V. DICRISTINA, 886 F. SUPP. 2D 164, 224,
19 ASSESSED THAT UNDER FEDERAL LAW POKER WAS PREDOMINANTLY A GAME OF SKILL;

20 4. NEW YORK COURTS HAVE INTERPRETED NEW YORK LAW TO APPLY A MORE
21 RIGOROUS TEST IN IDENTIFYING A "CONTEST OF CHANCE" THAN IS APPLIED BY
22 MOST STATES IN THIS NATION AND THE COURTS HAVE FOUND THAT WHERE A
23 CONTEST PITS THE SKILL LEVELS OF THE PLAYERS AGAINST EACH OTHER, THOSE
24 GAMES ARE GAMES OF SKILL AND NOT GAMES OF CHANCE. FURTHERMORE, THE
25 COURTS HAVE NOT LIMITED THE LEGISLATURE'S ABILITY TO DETERMINE THAT
26 CERTAIN FORMS OF POKER SHOULD FALL OUTSIDE THE GENERAL DEFINITION OF
27 GAMBLING SINCE THOSE GAMES ARE GAMES OF SKILL;

28 5. TEXAS HOLD'EM POKER INVOLVES TWO CARDS DEALT FACE DOWN TO EACH
29 PLAYER AND THEN FIVE COMMUNITY CARDS PLACED FACE-UP BY THE DEALER, A
30 SERIES OF THREE, THEN TWO ADDITIONAL SINGLE CARDS, WITH PLAYERS DETER-
31 MINING WHETHER TO CHECK, BET, RAISE OR FOLD AFTER EACH DEAL. OMAHA
32 HOLD'EM POKER IS A SIMILAR GAME, IN WHICH EACH PLAYER IS DEALT FOUR
33 CARDS AND MAKES HIS OR HER BEST HAND USING EXACTLY TWO OF THEM, PLUS
34 EXACTLY THREE OF THE FIVE COMMUNITY CARDS. THESE GAMES ARE CONSIDERED TO
35 BE COMPLEX FORMS OF POKER WHICH INVOLVE PLAYER STRATEGY AND
36 DECISION-MAKING AND WHICH PIT THE SKILL LEVELS OF THE PLAYERS AGAINST
37 EACH OTHER. AS GAMES OF SKILL, THESE FORMS OF POKER DO NOT FALL UNDER
38 THE DEFINITION OF GAMBLING AS PROHIBITED BY THE PENAL LAW; AND

39 6. THE LEGISLATURE FURTHER FINDS THAT AS THE INTERNET HAS BECOME AN
40 INTEGRAL PART OF SOCIETY, AND INTERNET POKER A MAJOR FORM OF ENTER-
41 TAINMENT FOR MANY CONSUMERS, ANY INTERACTIVE GAMING ENFORCEMENT AND
42 REGULATORY STRUCTURE MUST BEGIN FROM THE BEDROCK PREMISE THAT PARTIC-
43 IPATION IN A LAWFUL AND LICENSED GAMING INDUSTRY IS A PRIVILEGE AND NOT
44 A RIGHT, AND THAT REGULATORY OVERSIGHT IS INTENDED TO SAFEGUARD THE
45 INTEGRITY OF THE GAMES AND PARTICIPANTS AND TO ENSURE ACCOUNTABILITY AND
46 THE PUBLIC TRUST.

47 S 1401. DEFINITIONS. AS USED IN THIS ARTICLE, THE FOLLOWING TERMS
48 SHALL HAVE THE FOLLOWING MEANINGS:

49 1. "AUTHORIZED GAME" MEANS OMAHA HOLD'EM AND TEXAS HOLD'EM POKER, AS
50 WELL AS ANY OTHER POKER GAME THAT THE COMMISSION DETERMINES IS THE MATE-
51 RIAL EQUIVALENT OF EITHER OF THOSE, WHETHER IN A CASH GAME OR TOURNA-
52 MENT.

53 2. "AUTHORIZED PARTICIPANTS" MEANS PERSONS WHO ARE EITHER PHYSICALLY
54 PRESENT IN THIS STATE WHEN PLACING A WAGER OR WHO OTHERWISE ARE PERMIT-
55 TED BY APPLICABLE LAW, AS DETERMINED BY THE COMMISSION, TO PLACE A
56 WAGER. THE INTERMEDIATE ROUTING OF ELECTRONIC DATA IN CONNECTION WITH

1 INTERACTIVE GAMING SHALL NOT DETERMINE THE LOCATION OR LOCATIONS IN
2 WHICH A WAGER IS INITIATED, RECEIVED OR OTHERWISE MADE.

3 3. "CORE FUNCTION" MEANS ANY OF THE FOLLOWING: (A) THE MANAGEMENT,
4 ADMINISTRATION OR CONTROL OF WAGERS ON INTERACTIVE GAMING; (B) THE
5 MANAGEMENT, ADMINISTRATION OR CONTROL OF THE GAMES WITH WHICH THOSE
6 WAGERS ARE ASSOCIATED; OR (C) THE DEVELOPMENT, MAINTENANCE, PROVISION OR
7 OPERATION OF AN INTERACTIVE GAMING PLATFORM.

8 4. "COMMISSION" MEANS THE NEW YORK STATE GAMING COMMISSION.

9 5. "DIVISION" MEANS THE DIVISION OF GAMING, ESTABLISHED UNDER PARA-
10 GRAPH (C) OF SUBDIVISION TWO OF SECTION ONE HUNDRED THREE OF THIS CHAP-
11 TER.

12 6. "INTERACTIVE GAMING" MEANS THE CONDUCT OF GAMES THROUGH THE USE OF
13 THE INTERNET OR OTHER COMMUNICATIONS TECHNOLOGY THAT ALLOWS A PERSON,
14 UTILIZING MONEY, CHECKS, ELECTRONIC CHECKS, ELECTRONIC TRANSFERS OF
15 MONEY, CREDIT CARDS, DEBIT CARDS OR ANY OTHER INSTRUMENTALITY, TO TRANS-
16 MIT TO A COMPUTER INFORMATION TO ASSIST IN THE PLACING OF A WAGER AND
17 CORRESPONDING INFORMATION RELATED TO THE DISPLAY OF THE GAME, GAME
18 OUTCOMES OR OTHER SIMILAR INFORMATION. THE TERM DOES NOT INCLUDE THE
19 CONDUCT OF (A) NON-GAMBLING GAMES THAT DO NOT OTHERWISE REQUIRE A
20 LICENSE UNDER STATE OR FEDERAL LAW; OR (B) GAMES THAT OCCUR ENTIRELY
21 AMONG PARTICIPANTS WHO ARE LOCATED ON A LICENSED CASINO PREMISES. FOR
22 PURPOSES OF THIS PROVISION, "COMMUNICATIONS TECHNOLOGY" MEANS ANY METHOD
23 USED AND THE COMPONENTS EMPLOYED BY AN ESTABLISHMENT TO FACILITATE THE
24 TRANSMISSION OF INFORMATION, INCLUDING, WITHOUT LIMITATION, TRANSMISSION
25 AND RECEPTION BY SYSTEMS BASED ON WIRE, CABLE, RADIO, MICROWAVE, LIGHT,
26 OPTICS OR COMPUTER DATA NETWORKS, INCLUDING, WITHOUT LIMITATION, THE
27 INTERNET AND INTRANETS.

28 7. "INTERACTIVE GAMING GROSS REVENUE" MEANS THE TOTAL OF ALL SUMS PAID
29 TO A LICENSEE FROM INTERACTIVE GAMING INVOLVING AUTHORIZED PARTICIPANTS,
30 LESS ONLY THE TOTAL OF ALL SUMS PAID OUT AS WINNINGS TO PATRONS AND
31 PROMOTIONAL GAMING CREDITS; PROVIDED, HOWEVER, THAT THE CASH EQUIVALENT
32 VALUE OF ANY MERCHANDISE OR OTHER NON-CASH THING OF VALUE INCLUDED IN A
33 CONTEST OR TOURNAMENT SHALL NOT BE INCLUDED IN THE TOTAL OF ALL SUMS
34 PAID OUT AS WINNINGS TO PLAYERS FOR PURPOSES OF DETERMINING INTERACTIVE
35 GAMING GROSS REVENUE.

36 (A) NEITHER AMOUNTS DEPOSITED WITH A LICENSEE FOR PURPOSES OF INTERAC-
37 TIVE GAMING NOR AMOUNTS TAKEN IN FRAUDULENT ACTS PERPETRATED AGAINST A
38 LICENSEE FOR WHICH THE LICENSEE IS NOT REIMBURSED SHALL BE CONSIDERED TO
39 HAVE BEEN "PAID" TO THE LICENSEE FOR PURPOSES OF CALCULATING INTERACTIVE
40 GAMING GROSS REVENUE.

41 (B) "PROMOTIONAL GAMING CREDIT" INCLUDES BONUSES, PROMOTIONS AND ANY
42 AMOUNT RECEIVED BY A LICENSEE FROM A PATRON FOR WHICH THE LICENSEE CAN
43 DEMONSTRATE THAT IT OR ITS AFFILIATE HAS NOT RECEIVED CASH.

44 8. "INTERACTIVE GAMING PLATFORM" MEANS THE COMBINATION OF HARDWARE,
45 SOFTWARE AND DATA NETWORKS USED TO MANAGE, ADMINISTER OR CONTROL WAGERS
46 ON INTERACTIVE GAMING OR THE GAMES WITH WHICH THOSE WAGERS ARE ASSOCI-
47 ATED.

48 9. "INTERNET" MEANS A COMPUTER NETWORK OF INTEROPERABLE
49 PACKET-SWITCHED DATA NETWORKS.

50 10. "LICENSEE" MEANS A PERSON WHO IS LICENSED BY THE COMMISSION TO
51 OFFER INTERACTIVE GAMING, USING AN INTERACTIVE GAMING PLATFORM TO
52 AUTHORIZED PARTICIPANTS. A LICENSEE MAY UTILIZE MULTIPLE INTERACTIVE
53 GAMING PLATFORMS PROVIDED THAT EACH PLATFORM IS APPROVED BY THE COMMIS-
54 SION.

55 11. "OMAHA HOLD'EM POKER" MEANS THE POKER GAME MARKETING AS OMAHA
56 HOLD'EM POKER OR OMAHA POKER IN WHICH EACH PLAYER IS DEALT FOUR CARDS

1 AND MUST MAKE HIS OR HER BEST HAND USING EXACTLY TWO OF THEM, PLUS
2 EXACTLY THREE OF THE FIVE COMMUNITY CARDS.

3 12. "SIGNIFICANT VENDOR" MEANS ANY PERSON WHO OFFERS OR WHO PROPOSES
4 TO OFFER ANY OF THE FOLLOWING SERVICES WITH RESPECT TO INTERACTIVE
5 GAMING: (A) A CORE FUNCTION; (B) SALE, LICENSING OR OTHER RECEIPT OF
6 COMPENSATION FOR SELLING OR LICENSING A DATABASE OR CUSTOMER LIST OF
7 INDIVIDUALS RESIDING IN THE UNITED STATES SELECTED IN WHOLE OR IN PART
8 BECAUSE THEY PLACED WAGERS OR PARTICIPATED IN GAMBLING GAMES WITH OR
9 THROUGH AN INTERNET WEBSITE OR OPERATOR (OR ANY DERIVATIVE OF SUCH A
10 DATABASE OR CUSTOMER LIST); (C) PROVISION OF ANY TRADEMARK, TRADENAME,
11 SERVICE MARK OR SIMILAR INTELLECTUAL PROPERTY UNDER WHICH A LICENSEE OR
12 SIGNIFICANT VENDOR IDENTIFIES INTERACTIVE GAMES TO CUSTOMERS; OR (D)
13 PROVISION OF ANY PRODUCT, SERVICE OR ASSET TO A LICENSEE OR SIGNIFICANT
14 VENDOR IN RETURN FOR A PERCENTAGE OF INTERACTIVE GAMING REVENUE (NOT
15 INCLUDING FEES TO FINANCIAL INSTITUTIONS AND PAYMENT PROVIDERS FOR
16 FACILITATING A DEPOSIT OR WITHDRAWAL BY AN AUTHORIZED PARTICIPANT). THE
17 TERM "SIGNIFICANT VENDOR" SHALL NOT INCLUDE A PROVIDER OF GOODS OR
18 SERVICES TO A LICENSEE THAT ARE NOT SPECIFICALLY DESIGNED FOR USE AND
19 NOT PRINCIPALLY USED IN CONNECTION WITH INTERACTIVE GAMING.

20 13. "TEXAS HOLD'EM POKER" MEANS THE TYPE OF POKER MARKETED AS TEXAS
21 HOLD'EM POKER THAT INVOLVES TWO CARDS BEING DEALT FACE DOWN TO EACH
22 PLAYER AND THEN FIVE COMMUNITY CARDS BEING PLACED FACE-UP BY THE DEALER,
23 A SERIES OF THREE THEN TWO ADDITIONAL SINGLE CARDS, WITH PLAYERS HAVING
24 THE OPTION TO CHECK, BET, RAISE OR FOLD AFTER EACH DEAL.

25 S 1402. AUTHORIZATION. 1. THE COMMISSION SHALL, WITHIN ONE HUNDRED
26 EIGHTY DAYS OF THE DATE THIS ARTICLE BECOMES LAW, PROMULGATE REGULATIONS
27 TO IMPLEMENT INTERACTIVE GAMING IN THIS STATE AND SHALL AUTHORIZE UP TO
28 ELEVEN LICENSES TO OPERATE INTERACTIVE GAMING INVOLVING AUTHORIZED
29 PARTICIPANTS, SUBJECT TO THE PROVISIONS OF THIS ARTICLE AND OTHER APPLI-
30 CABLE PROVISIONS OF LAW.

31 2. APPLICANTS ELIGIBLE TO APPLY FOR A LICENSE PURSUANT TO THIS ARTICLE
32 SHALL BE THOSE ENTITIES:

33 (A) LICENSED BY THE STATE PURSUANT TO SECTION SIXTEEN HUNDRED SEVEN-
34 TEEN-A OF THE TAX LAW TO OPERATE VIDEO LOTTERY GAMING AND HAS EXPERIENCE
35 IN THE OPERATION OF INTERACTIVE GAMING BY BEING LICENSED IN A STATE WITH
36 COMPARABLE LICENSING REQUIREMENTS OR GUARANTEES ACQUISITION OF ADEQUATE
37 BUSINESS COMPETENCE AND EXPERIENCE IN THE OPERATION OF INTERACTIVE
38 GAMING; OR

39 (B) LICENSED BY THE STATE TO OPERATE A CLASS III GAMING FACILITY
40 PURSUANT TO ARTICLE THIRTEEN OF THIS CHAPTER AND HAS EXPERIENCE IN THE
41 OPERATION OF INTERACTIVE GAMING BY BEING LICENSED IN A STATE WITH COMPA-
42 RABLE LICENSING REQUIREMENTS OR GUARANTEES ACQUISITION OF ADEQUATE BUSI-
43 NESS COMPETENCE AND EXPERIENCE IN THE OPERATION OF INTERACTIVE GAMING.

44 3. THE COMMISSION SHALL, TO THE EXTENT PRACTICABLE, ISSUE LICENSES TO
45 MULTIPLE APPLICANTS NO SOONER THAN ONE HUNDRED EIGHTY DAYS AFTER THE
46 PROMULGATION OF REGULATIONS IN ORDER TO ENSURE A ROBUST AND COMPETITIVE
47 MARKET FOR CONSUMERS AND TO PREVENT EARLY LICENSEES FROM GAINING AN
48 UNFAIR COMPETITIVE ADVANTAGE.

49 4. NO PERSON MAY OPERATE, MANAGE OR MAKE AVAILABLE AN INTERACTIVE
50 GAMING PLATFORM OR ACT AS A SIGNIFICANT VENDOR WITH RESPECT TO INTERAC-
51 TIVE GAMING THAT IS OFFERED TO PERSONS LOCATED IN THIS STATE UNLESS
52 LICENSED BY THE COMMISSION PURSUANT TO THIS ARTICLE AND ONLY THOSE GAMES
53 AUTHORIZED BY THE COMMISSION SHALL BE PERMITTED.

54 5. LICENSE APPLICANTS MAY FORM A PARTNERSHIP, JOINT VENTURE OR OTHER
55 CONTRACTUAL ARRANGEMENT IN ORDER TO FACILITATE THE PURPOSES OF THIS
56 ARTICLE.

6. ANY PERSON FOUND SUITABLE BY THE COMMISSION MAY BE ISSUED A LICENSE AS AN OPERATOR OR SIGNIFICANT VENDOR PURSUANT TO THIS ARTICLE. IN DETERMINING SUITABILITY, THE COMMISSION SHALL CONSIDER THOSE FACTORS IT DEEMS RELEVANT IN ITS DISCRETION, INCLUDING BUT NOT LIMITED TO:

(A) WHETHER THE APPLICANT IS A PERSON OF GOOD CHARACTER, HONESTY AND INTEGRITY;

(B) WHETHER THE APPLICANT IS PERSON WHOSE PRIOR ACTIVITIES, CRIMINAL RECORD, IF ANY, REPUTATION, HABITS AND ASSOCIATIONS DO NOT:

(I) POSE A THREAT TO THE PUBLIC INTEREST OR TO THE EFFECTIVE REGULATION AND CONTROL OF INTERACTIVE GAMING; OR

(II) CREATE OR ENHANCE THE DANGERS OF UNSUITABLE, UNFAIR OR ILLEGAL PRACTICES, METHODS AND ACTIVITIES IN THE CONDUCT OF INTERACTIVE GAMING OR IN THE CARRYING ON OF THE BUSINESS AND FINANCIAL ARRANGEMENTS INCIDENTAL TO SUCH GAMING;

(C) WHETHER THE APPLICANT IS CAPABLE OF AND LIKELY TO CONDUCT THE ACTIVITIES FOR WHICH THE APPLICANT IS LICENSED IN ACCORDANCE WITH THE PROVISIONS OF THIS ARTICLE, ANY REGULATIONS PRESCRIBED UNDER THIS ARTICLE AND ALL OTHER APPLICABLE LAWS;

(D) WHETHER THE APPLICANT HAS OR GUARANTEES ACQUISITION OF ADEQUATE BUSINESS COMPETENCE AND EXPERIENCE IN THE OPERATION OF LICENSED GAMING OR OF INTERACTIVE GAMING IN THIS STATE OR IN A STATE WITH COMPARABLE LICENSING REQUIREMENTS; AND

(E) WHETHER THE APPLICANT HAS OR WILL OBTAIN SUFFICIENT FINANCING FOR THE NATURE OF THE PROPOSED OPERATION AND FROM A SUITABLE SOURCE.

7. THE COMMISSION FURTHER SHALL DEVELOP STANDARDS BY WHICH TO EVALUATE AND APPROVE INTERACTIVE GAMING PLATFORMS FOR USE WITH INTERACTIVE GAMING. INTERACTIVE GAMING PLATFORMS MUST BE APPROVED BY THE COMMISSION BEFORE BEING USED BY A LICENSEE OR SIGNIFICANT VENDOR TO CONDUCT INTERACTIVE GAMING IN THIS STATE.

8. THE COMMISSION SHALL REQUIRE ALL LICENSEES TO PAY A ONE-TIME FEE OF TEN MILLION DOLLARS. SUCH FEE PAID BY EACH LICENSEE SHALL BE APPLIED TO SATISFY, IN WHOLE OR IN PART, AS APPLICABLE, THAT LICENSEE'S TAX OBLIGATION PURSUANT TO SECTION FOURTEEN HUNDRED FIVE OF THIS ARTICLE IN SIXTY EQUAL MONTHLY INSTALLMENTS, ALLOCATED TO EACH OF THE FIRST SIXTY MONTHS OF TAX OWED AFTER THE LICENSEE HAS BEGUN OPERATING INTERACTIVE GAMING PURSUANT TO THIS ARTICLE. NO AMOUNTS NOT REQUIRED TO BE USED TO SATISFY SUCH TAX OBLIGATION DURING THAT PERIOD SHALL BE ALLOCATED TO PAYMENT OF SUCH TAX OBLIGATION AFTER THAT PERIOD.

9. LICENSES ISSUED BY THE COMMISSION SHALL REMAIN IN EFFECT FOR TEN YEARS.

10. THE COMMISSION, BY REGULATION, MAY AUTHORIZE AND PROMULGATE ANY RULES NECESSARY TO IMPLEMENT AGREEMENTS WITH OTHER STATES, OR AUTHORIZED AGENCIES THEREOF (A) TO ENABLE PATRONS IN THOSE STATES TO PARTICIPATE IN INTERACTIVE GAMING OFFERED BY LICENSEES UNDER THIS ARTICLE OR (B) TO ENABLE PATRONS IN THIS STATE TO PARTICIPATE IN INTERACTIVE GAMING OFFERED BY LICENSEES UNDER THE LAWS OF THOSE OTHER STATES, PROVIDED THAT SUCH OTHER STATE OR AUTHORIZED AGENCY APPLIES SUITABILITY STANDARDS AND REVIEW MATERIALLY CONSISTENT WITH THE PROVISIONS OF THIS ARTICLE.

11. ANY REGULATIONS ADOPTED PURSUANT TO SUBDIVISION TEN OF THIS SECTION MUST SET FORTH PROVISIONS THAT ADDRESS:

(A) ANY ARRANGEMENTS TO SHARE REVENUE BETWEEN NEW YORK AND ANY OTHER STATE OR AGENCY WITHIN ANOTHER STATE; AND

(B) ARRANGEMENTS TO ENSURE THE INTEGRITY OF INTERACTIVE GAMING OFFERED PURSUANT TO ANY SUCH AGREEMENT AND THE PROTECTION OF PATRONS LOCATED IN THIS STATE.

12. THE COMMISSION MAY DELEGATE ITS RESPONSIBILITIES TO ADMINISTER THE PROVISIONS OF THIS ARTICLE TO THE DIVISION, AS IT SEES FIT, EXCEPT FOR ITS RESPONSIBILITIES TO APPROVE LICENSES.

S 1403. REQUIRED SAFEGUARDS/MINIMUM STANDARDS. THE COMMISSION SHALL REQUIRE LICENSEES TO IMPLEMENT MEASURES TO MEET THE STANDARDS SET OUT IN THIS SECTION, ALONG WITH SUCH OTHER STANDARDS THAT THE COMMISSION IN ITS DISCRETION MAY CHOOSE TO REQUIRE.

(A) APPROPRIATE SAFEGUARDS TO ENSURE, TO A REASONABLE DEGREE OF CERTAINTY, THAT PARTICIPANTS IN INTERACTIVE GAMING ARE NOT YOUNGER THAN TWENTY-ONE YEARS OF AGE.

(B) APPROPRIATE SAFEGUARDS TO ENSURE, TO A REASONABLE DEGREE OF CERTAINTY, THAT PARTICIPANTS IN INTERACTIVE GAMING ARE PHYSICALLY LOCATED WITHIN THE STATE OR SUCH OTHER JURISDICTION THAT THE COMMISSION HAS DETERMINED TO BE PERMISSIBLE.

(C) APPROPRIATE SAFEGUARDS TO PROTECT, TO A REASONABLE DEGREE OF CERTAINTY, THE PRIVACY AND ONLINE SECURITY OF PARTICIPANTS IN INTERACTIVE GAMING.

(D) APPROPRIATE SAFEGUARDS TO ENSURE, TO A REASONABLE DEGREE OF CERTAINTY, THAT THE INTERACTIVE GAMING IS FAIR AND HONEST AND THAT APPROPRIATE MEASURES ARE IN PLACE TO DETER, DETECT AND, TO THE EXTENT REASONABLY POSSIBLE, TO PREVENT CHEATING, INCLUDING COLLUSION, AND USE OF CHEATING DEVICES, INCLUDING USE OF SOFTWARE PROGRAMS (SOMETIMES REFERRED TO AS "BOTS") THAT MAKE BETS OR WAGERS ACCORDING TO ALGORITHMS.

(E) APPROPRIATE SAFEGUARDS TO MINIMIZE COMPULSIVE GAMING AND TO PROVIDE NOTICE TO PARTICIPANTS OF RESOURCES TO HELP PROBLEM GAMBLERS.

(F) APPROPRIATE SAFEGUARDS TO ENSURE PARTICIPANTS' FUNDS ARE HELD IN ACCOUNTS SEGREGATED FROM THE FUNDS OF LICENSEES AND OTHERWISE ARE PROTECTED FROM CORPORATE INSOLVENCY, FINANCIAL RISK OR CRIMINAL OR CIVIL ACTIONS AGAINST THE LICENSEE.

S 1404. SCOPE OF LICENSING REVIEW. 1. IN CONNECTION WITH ANY LICENSE ISSUED PURSUANT TO THIS ARTICLE, THE LICENSEE, SIGNIFICANT VENDOR OR APPLICANT SHALL IDENTIFY AND THE COMMISSION SHALL REVIEW THE SUITABILITY OF SUCH LICENSEE'S, SIGNIFICANT VENDOR'S OR APPLICANT'S OWNER, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND ANY OTHER OFFICER OR EMPLOYEE WHO THE COMMISSION DEEMS IS SIGNIFICANTLY INVOLVED IN THE MANAGEMENT OR CONTROL OF THE LICENSEE, SIGNIFICANT VENDOR OR APPLICANT OR OF THE INTERACTIVE GAMING PLATFORM. "OWNER" FOR PURPOSES OF THIS PROVISION MEANS ANY PERSON WHO DIRECTLY OR INDIRECTLY HOLDS ANY BENEFICIAL OR OWNERSHIP INTEREST IN THE APPLICANT OF FIVE PERCENT OR GREATER OR ANY AMOUNT OF OWNERSHIP THAT THE COMMISSION DETERMINES TO BE SIGNIFICANT OWNERSHIP OF THE LICENSEE, SIGNIFICANT VENDOR, OR APPLICANT.

2. INSTITUTIONAL INVESTORS ARE SUBJECT TO THE PROVISIONS SET OUT IN THIS SECTION.

(A) AN INSTITUTIONAL INVESTOR HOLDING UNDER TWENTY-FIVE PERCENT OF THE EQUITY SECURITIES OF A LICENSEE'S OR SIGNIFICANT VENDOR'S (OR APPLICANT'S) HOLDING OR INTERMEDIARY COMPANIES, SHALL BE GRANTED A WAIVER OF ANY INVESTIGATION OF SUITABILITY OR OTHER REQUIREMENT IF SUCH SECURITIES ARE THOSE OF A CORPORATION, WHETHER PUBLICLY TRADED OR PRIVATELY HELD, AND ITS HOLDINGS OF SUCH SECURITIES WERE PURCHASED FOR INVESTMENT PURPOSES ONLY AND IT FILES A CERTIFIED STATEMENT TO THE EFFECT THAT IT HAS NO INTENTION OF INFLUENCING OR AFFECTING THE AFFAIRS OF THE ISSUER, THE LICENSEE (OR SIGNIFICANT VENDOR OR APPLICANT, AS APPLICABLE) OR ITS HOLDING OR INTERMEDIARY COMPANIES; PROVIDED, HOWEVER, THAT IT SHALL BE PERMITTED TO VOTE ON MATTERS PUT TO THE VOTE OF THE OUTSTANDING SECURITY HOLDERS. THE COMMISSION MAY GRANT SUCH A WAIVER TO AN INSTITUTIONAL INVESTOR HOLDING A HIGHER PERCENTAGE OF SUCH SECURITIES UPON A SHOWING

1 OF GOOD CAUSE AND IF THE CONDITIONS SPECIFIED ABOVE ARE MET. ANY INSTI-
2 TUTIONAL INVESTOR GRANTED A WAIVER UNDER THIS PARAGRAPH WHICH SUBSE-
3 QUENTLY DETERMINES TO INFLUENCE OR AFFECT THE AFFAIRS OF THE ISSUER
4 SHALL PROVIDE NOT LESS THAN THIRTY DAYS' NOTICE OF SUCH INTENT AND SHALL
5 FILE WITH THE COMMISSION A REQUEST FOR DETERMINATION OF SUITABILITY
6 BEFORE TAKING ANY ACTION THAT MAY INFLUENCE OR AFFECT THE AFFAIRS OF THE
7 ISSUER; PROVIDED, HOWEVER, THAT IT SHALL BE PERMITTED TO VOTE ON MATTERS
8 PUT TO THE VOTE OF THE OUTSTANDING SECURITY HOLDERS. IF AN INSTITUTIONAL
9 INVESTOR CHANGES ITS INVESTMENT INTENT, OR IF THE COMMISSION FINDS
10 REASONABLE CAUSE TO BELIEVE THAT THE INSTITUTIONAL INVESTOR MAY BE FOUND
11 UNSUITABLE, NO ACTION OTHER THAN DIVESTITURE SHALL BE TAKEN BY SUCH
12 INVESTOR WITH RESPECT TO ITS SECURITY HOLDINGS UNTIL THERE HAS BEEN
13 COMPLIANCE WITH ANY REQUIREMENTS ESTABLISHED BY THE COMMISSION, WHICH
14 MAY INCLUDE THE EXECUTION OF A TRUST AGREEMENT. THE LICENSEE (OR SIGNIF-
15 ICANT VENDOR OR APPLICANT, AS APPLICABLE) AND ITS RELEVANT HOLDING,
16 INTERMEDIARY OR SUBSIDIARY COMPANY SHALL NOTIFY THE COMMISSION IMME-
17 DIATELY OF ANY INFORMATION ABOUT, OR ACTIONS OF, AN INSTITUTIONAL INVE-
18 STOR HOLDING ITS EQUITY SECURITIES WHERE SUCH INFORMATION OR ACTION MAY
19 IMPACT UPON THE ELIGIBILITY OF SUCH INSTITUTIONAL INVESTOR FOR A WAIVER
20 PURSUANT TO THIS PARAGRAPH.

21 (B) IF AT ANY TIME THE COMMISSION FINDS THAT AN INSTITUTIONAL INVESTOR
22 HOLDING ANY SECURITY OF A HOLDING OR INTERMEDIARY COMPANY OF A LICENSEE
23 OR SIGNIFICANT VENDOR OR APPLICANT, OR, WHERE RELEVANT, OF ANOTHER
24 SUBSIDIARY COMPANY OF A HOLDING OR INTERMEDIARY COMPANY OF A LICENSEE OR
25 SIGNIFICANT VENDOR OR APPLICANT WHICH IS RELATED IN ANY WAY TO THE
26 FINANCING OF THE LICENSEE OR SIGNIFICANT VENDOR OR APPLICANT, FAILS TO
27 COMPLY WITH THE TERMS OF PARAGRAPH (A) OF THIS SECTION, OR IF AT ANY
28 TIME THE COMMISSION FINDS THAT, BY REASON OF THE EXTENT OR NATURE OF ITS
29 HOLDINGS, AN INSTITUTIONAL INVESTOR IS IN A POSITION TO EXERCISE SUCH A
30 SUBSTANTIAL IMPACT UPON THE CONTROLLING INTERESTS OF A LICENSEE OR
31 SIGNIFICANT VENDOR OR APPLICANT THAT INVESTIGATION AND DETERMINATION OF
32 SUITABILITY OF THE INSTITUTIONAL INVESTOR IS NECESSARY TO PROTECT THE
33 PUBLIC INTEREST, THE COMMISSION MAY TAKE ANY NECESSARY ACTION OTHERWISE
34 AUTHORIZED UNDER THIS ARTICLE TO PROTECT THE PUBLIC INTEREST.

35 (C) FOR PURPOSES OF THIS SECTION, AN "INSTITUTIONAL INVESTOR" SHALL
36 MEAN ANY RETIREMENT FUND ADMINISTERED BY A PUBLIC AGENCY FOR THE EXCLU-
37 SIVE BENEFIT OF FEDERAL, STATE, OR LOCAL PUBLIC EMPLOYEES; INVESTMENT
38 COMPANY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940 (15 U.S.C. S
39 80A-1 ET SEQ.); COLLECTIVE INVESTMENT TRUST ORGANIZED BY BANKS UNDER
40 PART NINE OF THE RULES OF THE COMPTROLLER OF THE CURRENCY; CLOSED END
41 INVESTMENT TRUST; CHARTERED OR LICENSED LIFE INSURANCE COMPANY OR PROP-
42 erty AND CASUALTY INSURANCE COMPANY; BANKING AND OTHER CHARTERED OR
43 LICENSED LENDING INSTITUTION; INVESTMENT ADVISOR REGISTERED UNDER THE
44 INVESTMENT ADVISORS ACT OF 1940 (15 U.S.C. S 80B-1 ET SEQ.); AND SUCH
45 OTHER PERSONS AS THE COMMISSION MAY DETERMINE FOR REASONS CONSISTENT
46 WITH THE PUBLIC INTEREST.

47 S 1405. STATE TAX. LICENSEES ENGAGED IN THE BUSINESS OF CONDUCTING
48 INTERACTIVE GAMING PURSUANT TO THIS ARTICLE SHALL PAY A PRIVILEGE TAX
49 BASED ON THE LICENSEE'S INTERACTIVE GAMING GROSS REVENUE AT A FIFTEEN
50 PERCENT RATE.

51 S 2. Subdivision 1 of section 225.00 of the penal law is amended to
52 read as follows:

53 1. "Contest of chance" means any contest, game, gaming scheme or
54 gaming device in which the outcome depends [in a material degree]
55 PREDOMINANTLY upon an element of chance, notwithstanding that skill of
56 the contestants may also be a factor therein.

1 S 3. The penal law is amended by adding a new section 225.36 to read
2 as follows:

3 S 225.36 INTERACTIVE GAMING OFFENSES AND EXCEPTIONS.

4 1. THE KNOWING AND WILLFUL OFFERING OF UNLICENSED INTERACTIVE GAMING
5 TO PERSONS IN THIS STATE, OR THE KNOWING AND WILLFUL PROVISION OF
6 SERVICES WITH RESPECT THERETO, SHALL CONSTITUTE A GAMBLING OFFENSE UNDER
7 THIS ARTICLE.

8 2. LICENSED INTERACTIVE GAMING ACTIVITIES UNDER SECTION FOURTEEN
9 HUNDRED TWO OF THE RACING, PARI-MUTUEL WAGERING AND BREEDING LAW SHALL
10 NOT BE A GAMBLING OFFENSE UNDER THIS ARTICLE.

11 3. A PERSON OFFERING UNLICENSED INTERACTIVE GAMING TO PERSONS IN THIS
12 STATE SHALL BE LIABLE FOR ALL TAXES SET FORTH IN SECTION FOURTEEN
13 HUNDRED FIVE OF THE RACING, PARI-MUTUEL WAGERING AND BREEDING LAW IN THE
14 SAME MANNER AND AMOUNTS AS IF SUCH PERSON WERE A LICENSEE. TIMELY
15 PAYMENT OF SUCH TAXES SHALL NOT CONSTITUTE A DEFENSE TO ANY PROSECUTION
16 OR OTHER PROCEEDING IN CONNECTION WITH THE INTERACTIVE GAMING EXCEPT FOR
17 A PROSECUTION OR PROCEEDING ALLEGING FAILURE TO MAKE SUCH PAYMENT.

18 S 4. Severability clause. If any provision of this act or application
19 thereof shall for any reason be adjudged by any court of competent
20 jurisdiction to be invalid, such judgment shall not affect, impair, or
21 invalidate the remainder of the act, but shall be confined in its opera-
22 tion to the provision thereof directly involved in the controversy in
23 which the judgment shall have been rendered.

24 S 5. This act shall take effect on the one hundred eightieth day after
25 it shall have become a law.